CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

UNITED DRUG, INC.

AND

SUBSIDIARY COMPANIES

ANNUAL REPORT

December 31, 1933

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Corp file

OFFICERS

Louis K. Liggett	*President*
George M. Gales	*Vice-President*
J. A. Galvin	*Secretary and Treasurer*
W. Newlin Mitchell	*Assistant Treasurer*

DIRECTORS

Charles Francis Adams	*President*, The Union Trust Company of Boston, Boston
George M. Gales	*President*, Liggett Drug Company, Inc., New York
George C. Haigh	*Vice-President*, Bank of the Manhattan Company, New York
Louis K. Liggett	*President*, Boston
Charles S. Munson	*President*, United States Industrial Alcohol Company, New York
James L. Richards	*Chairman Board of Trustees*, Massachusetts Gas Companies, Boston
Fred S. Rogers	of McMonagle and Rogers, Inc., Middletown, New York
Frederic E. Snow	of Gaston, Snow, Saltonstall and Hunt, Boston
Eugene W. Stetson	*Vice-President*, Guaranty Trust Company of New York, New York

Transfer Agents

Guaranty Trust Company of New York, New York
The Union Trust Company of Boston, Boston

Registrars

The Chase National Bank of the City of New York, New York
The National Shawmut Bank of Boston, Boston

Counsel

Gaston, Snow, Saltonstall and Hunt, Boston

March 6, 1934

To the Stockholders of United Drug, Inc.

United Drug, Inc. owns the entire capital stock of United Drug Company of Delaware, which it acquired upon the dissolution of Drug Incorporated. Financial statements for the year 1933, with the accompanying certificate of Price, Waterhouse & Co., are a part of this report.

The Consolidated Profit and Loss statement includes the operations of United Drug Company and its subsidiaries for the entire year 1933 and the operations of United Drug, Inc. for the last four months of the year, and of The Owl Drug Co. for the last three months of the year. It includes the discount on the debenture bonds of United Drug Company which that company acquired during the year, such discount amounting to $868,085.51, and also includes loss on leases of Louis K. Liggett Company guaranteed by United Drug Company in the amount of $560,394.12.

It does not include the operating loss of Louis K. Liggett Company prior to its bankruptcy in March, 1933; nor does it include the profit which United Drug Company made on the sale of the stock of Boots Pure Drug Company, nor its loss in respect to the investment in the Louis K. Liggett Company.

In the early part of the year United Drug Company sold the majority of the stock which it owned in Boots Pure Drug Company. The profit on this transaction offsets in part the loss in the investment in Louis K. Liggett Company which was adjusted through Capital Account prior to formation of United Drug, Inc. The income on the proceeds, while awaiting investment, was relatively small. The loss on the guaranteed leases, it is believed, will be very much less during the year 1934 than it was during 1933.

United Drug Company still owns 75,000 shares of Boots Pure Drug Company. This is carried on the Consolidated Balance Sheet at $1,458,000, although the present market value is approximately $3,000,000.

Since the first of January, Liggett Drug Company, Inc., a wholly-owned subsidiary of United Drug Company, has acquired all the assets of Louis K. Liggett Company from the Trustees in Bankruptcy, and has also acquired all the assets of Liggett Drug Stores, Inc. which formerly operated most of the Liggett drug stores in the state of Illinois. At this time through our subsidiaries we are operating in excess of 550 retail stores.

The acquisition of the assets of the Louis K. Liggett Company and the Liggett Drug Stores, Inc. has made a substantial change in the situation. We are proposing to send you at the end of the first quarter of this year, together with a report of the Earnings, a detailed statement of the present organization of the United Drug Company and its subsidiaries after giving effect to the changes which have taken place since the annual report submitted herewith.

Enclosed is a notice calling the Annual Meeting of the Stockholders on March 27, 1934, together with a form of proxy, which you are requested to sign and return promptly unless you expect to be present in person at the meeting.

We enter the year of 1934 with a great deal of confidence in this Company's ability to increase its earnings.

Louis K Liggett

President

PRICE, WATERHOUSE & CO.

75 FEDERAL STREET

BOSTON

March 3, 1934.

To the Board of Directors of

United Drug, Inc. (Delaware):

We have made an examination of the consolidated balance sheet of United Drug, Inc. (Delaware) and its subsidiary companies as at December 31, 1933, and of the statement of profit and loss for the four months ending on that date. In connection therewith, we examined or tested accounting records and other supporting evidence of all of the domestic subsidiary companies except The Owl Drug Co., and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts, but we did not make a detailed audit of the transactions. We have been furnished with the accounts of The Owl Drug Co. and the foreign subsidiaries, certified by other accountants.

In our opinion, based upon such examination, and the acceptance of accounts of The Owl Drug Co. and foreign subsidiaries certified by other accountants, the accompanying consolidated balance sheet and related statements of profit and loss and capital surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the period under review, the position of United Drug, Inc. (Delaware) and its subsidiary companies at December 31, 1933, and the result of their operations from September 1, 1933, the effective date of acquisition of the subsidiary companies, to December 31, 1933.

In the course of our examination we reviewed the accompanying statement of profit and loss for the twelve months ending December 31, 1933, and, in our opinion, it fairly sets forth the result of operations for that period on the basis indicated therein.

PRICE, WATERHOUSE & CO.

UNITED DRUG,
AND SUBSIDIA

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:			
Cash in banks and on hand		$12,415,247.54	
Miscellaneous marketable securities at book value (*value at market quotations, approximately* $3,350,000)		1,935,697.17	
Notes and accounts receivable, less reserves:			
Customers' accounts and instalment notes	$3,956,139.86		
Miscellaneous	217,474.52	4,173,614.38	
Inventories of merchandise, goods in process, materials and supplies (*at cost, not exceeding market*)		9,397,163.53	$27,921,722.62
INVESTMENTS AND ADVANCES, ETC.:			
Instalment notes and advances to customers, less reserves		$ 331,019.00	
Claims against Louis K. Liggett Company in Bankruptcy, less reserve		1,659,801.12	
Miscellaneous advances (*including* $65,746.57 *due from employees, etc.*)		168,516.79	
Miscellaneous investments, at or below cost (*including 2100 shares of capital stock of United Drug, Inc. owned by subsidiary companies, carried at* $18,941.49)		412,009.08	2,571,345.99
PROPERTY ACCOUNTS—at written down values (*including store fixtures, etc. of The Owl Drug Co. at* $1):			
Land, buildings and building fixtures		$ 8,364,252.63	
Machinery and equipment, etc.		8,243,761.98	
		$16,608,014.61	
Less—Reserve for depreciation		7,306,312.63	9,301,701.98
PREPAID INSURANCE, TAXES, RENT, ETC. AND ADVERTISING SUPPLIES			352,071.54
GOODWILL, TRADE-MARKS, ETC.			10,401,168.38
			$50,548,010.51

Note: At December 31, 1933, the United Drug Company, a wholly owned subsidiary of United
in Bankruptcy under the terms of an agreement providing for the payment of $7,300,000 in ca
$2,500,000. According to an unaudited statement as at December 31, 1933, the assets to be a

NC. (DELAWARE)

RY COMPANIES

SHEET—DECEMBER 31, 1933

LIABILITIES

CURRENT LIABILITIES:		
Notes payable of subsidiary company	$ 66,274.35	
Accounts payable and miscellaneous accrued expenses	2,290,774.72	
Amounts owing to other companies reorganized from Drug Incorporated	673,661.95	
Accrued interest on funded debt	544,912.08	
Provision for federal and foreign income taxes	86,080.62	$ 3,661,703.72
FUNDED DEBT:		
Twenty-five year 5% debenture bonds of United Drug Company, due March 15, 1953	$40,000,000.00	
Less—in treasury (*including $750,000 principal amount available to meet the sinking fund deposit due March 15, 1934*)	2,636,200.00	
	$37,363,800.00	
First mortgage bonds of United Chocolate Refiners, Inc., due January 1, 1946	425,000.00	37,788,800.00
RESERVES:		
For contingencies, including prior year's federal income taxes	$ 254,237.96	
For estimated intercompany profit on merchandise included in inventories of Louis K. Liggett Company in Bankruptcy, the assets of which were acquired in January, 1934	297,793.00	
For anticipated reorganization expenses, etc. of The Owl Drug Co.	484,802.83	1,036,833.79
CAPITAL STOCK:		
Authorized—1,400,560 shares—par value $5 each.		
Issued, or to be issued in exchange for undeposited shares of Drug Incorporated—1,400,560 shares		7,002,800.00
CAPITAL SURPLUS, per accompanying statement		307,280.35
EARNED SURPLUS:		
Net profit of United Drug, Inc. and subsidiary companies for the period from September 1, 1933 to December 31, 1933, per accompanying statement	$ 701,817.35	
Credit resulting from cancellation of reserve for exchange losses on assets of foreign subsidiaries	48,775.30	750,592.65
CONTINGENT LIABILITY—For portion of such liabilities as may result to Drug Incorporated		
		$50,548,010.51

Drug, Inc., was committed to purchase the assets and business of Louis K. Liggett Company
sh and the assumption of liabilities of the Trustees in Bankruptcy estimated at approximately
quired include approximately $3,400,000 cash and $5,900,000 of other current assets.

UNITED DRUG, INC. (DELAWARE)
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDING DECEMBER 31, 1933

(Including the operations of The Owl Drug Co. for the three months ending December 31, 1933)

	Eight months ending *August 31, 1933	*Four months ending* December 31, 1933	*Year ending* December 31, 1933
Sales, less returns, allowances and discounts	$13,253,879.36	$11,362,494.98	$24,616,374.34
Cost of goods sold, selling, general, and administrative expenses (*including depreciation of* $895,223.78)	12,409,744.92	10,179,932.00	22,589,676.92
Net profit on sales	$ 844,134.44	$ 1,182,562.98	$ 2,026,697.42
Other income:			
Income from investments	$ 201,128.38	$ 76,578.04	$ 277,706.42
Interest on bank balances, notes receivable, etc.	48,516.85	26,927.57	75,444.42
	$ 249,645.23	$ 103,505.61	$ 353,150.84
	$ 1,093,779.67	$ 1,286,068.59	$ 2,379,848.26
Interest on funded debt and income taxes:			
Interest on funded debt	$ 1,388,607.32	$ 619,206.69	$ 2,007,814.01
Provision for federal and foreign income taxes	16,768.43	11,087.73	27,856.16
	$ 1,405,375.75	$ 630,294.42	$ 2,035,670.17
	$ ***311,596.08***	$ 655,774.17	$ 344,178.09
Discount on debenture bonds of United Drug Company acquired	619,888.39	248,197.12	868,085.51
	$ 308,292.31	$ 903,971.29	$ 1,212,263.60
Loss from operation of leases acquired by United Drug Company, as guarantor, from Louis K. Liggett Company, Bankrupt	359,260.18	201,133.94	560,394.12
	$ ***50,967.87***	$ 702,837.35	$ 651,869.48
Dividend on preferred stock of subsidiary company held by the public	3,060.00	1,020.00	4,080.00
Net profit (***loss***) for the period, before special charges to surplus prior to August 31, 1933	$ ***54,027.87***	$ 701,817.35	$ 647,789.48

*Covering operations of United Drug Company and subsidiaries prior to its acquisition by United Drug, Inc.

Note: The above figures do not include the operations of Louis K. Liggett Company, a wholly owned subsidiary, for the three months ending March 31, 1933, as of which date it was petitioned into bankruptcy. The operations of this company for the three months resulted in a net loss of approximately $1,000,000.

UNITED DRUG, INC. (DELAWARE)
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CAPITAL SURPLUS FOR THE PERIOD FROM SEPTEMBER 1, 1933 TO DECEMBER 31, 1933

BOOK VALUE of consolidated net assets of United Drug Company and subsidiary companies as at September 1, 1933, adjusted to give effect to the loss sustained on the investment in and claims against Louis K. Liggett Company and The Owl Drug Company, in bankruptcy, etc.		$7,459,135.45
CAPITAL STOCK of United Drug, Inc. issued, or to be issued, in consideration for the entire capital stock of United Drug Company—1,400,560 shares of $5 par value		7,002,800.00
Difference, representing consolidated capital surplus of United Drug, Inc. and subsidiary companies as at September 1, 1933		$ 456,335.45
Deduct:		
Organization expenses charged off	$103,964.39	
Excess of cost over book value of net assets of The Owl Drug Co. (new company) acquired as of September 30, 1933 . . .	45,090.71	149,055.10
Balance, consolidated capital surplus of United Drug, Inc. and subsidiary companies, December 31, 1933		$ 307,280.35